

Minutes:

Stowe Electric Commissioners' Meeting
June 13, 2018 at 8:00 a.m. at Town of Stowe Electric Conference Room

Present:

BOARD MEMBERS: Richard ("Dick") Marron, Chairman; Larry Lackey, Vice-Chairman; Denise Gutstein, Commissioner

STAFF: Ellen Burt, General Manager; Denise Sullivan, Controller; Matthew Rutherford, Manager of Regulatory Compliance; David Kresock, Director of Operations; Lily Burgess, Clerk of the Board

Dick called the meeting to order at 8:11 a.m.

Approval of the May 18th, 2018 Meeting Minutes

On motion made and seconded, the minutes of May 18, 2018 were approved.

IT Report

The IT Report was part of the Commissioners' Meeting Packet but was not discussed in further detail.

Regulatory Update

Renewable Energy Standard Compliance: Matt elaborated on the report and the charts from Energy New England which provides a breakdown of SED's Tier 1 and Tier 2 compliance.

Tier 1 compliance started at 55% of the calendar year's retail sales total for 2017, and increases 4% each 4th year to 75% by 2032. SED was able to use a series of legacy agreements to meet the majority of the Tier 1 compliance and made up the balance with the HQ contract and low REC market purchases. SED was in such a good position, and able to sell excess higher value RECs (in MWh) to offset the purchase of Tier 1 RECs and ended up making a small profit of about \$11,000.

Tier 2 starts at 1% and increases 3/5th of a percent to 10% over the same time period as Tier 1. The Tier 2 target was easily met using the Nebraska Valley Solar project, and SED was able to bank a fair amount of RECs for future compliance year as well.

Tier 3 compliance for SED and other small municipal utilities starts at 2% for 2019 and increases 2/3rd of a percent each year to 10.66% in 2032. Compliance started for other Distribution Utilities in 2017 and this gap gave SED a chance to learn from their programs, and the different incentive levels for the different technologies. SED's Tier 3 program development is ongoing and SED has met with representatives from Efficiency Vermont (EVT) to discuss a partnership that would allow the utility to take advantage of EVT's technical, staffing, and education resources as well as experience implementing energy service programs. Primary focuses would be cold climate heat pumps, electric (EV) and plug-in hybrid vehicles.

Financial Update: 1st Quarter 2018 Financials

The combination of commercial energy and demand explains the 3% increase in revenue. As expected, the revenue from snowmaking is up over budget, but down compared to the previous year.

Energy New England is no longer accounting for or buying REC credits with a contract. Stowe Electric therefore does not know what the RECs will be until they are actually received, which explains the \$75,657 difference in the current period financials, since these RECs can no longer be accrued.

Due to an unexpected VELCO Transco dividend, transmission expense is lower than budgeted. Without this windfall, transmission expenses YTD would be up 14%.

Operations has been managing their expenses to keep costs down and cut back 12.3% from the 2017 actual. When depreciation is removed from the calculation, manageable direct expenses for Q1 2018 were 44% below budget. IT expenses are down 46% from the prior year and are on budget for the current quarter.

The current quarter bottom line loss is \$140,000, which is less than the budgeted loss of \$327,000, mainly due to the unanticipated VELCO dividend.

The legal and engineering costs incurred by Stowe Electric for new commercial Solar Netmetering Project installations were discussed in detail. Matt explained that some of the legal costs were one-time costs to draft and develop the necessary documents and agreements such as the General Interconnection Agreement, which outlines the relationship between the "generator" and SED.

Operations Report

May was a very busy month: line crews completed 31 work orders! Since the beginning of the year, SED initiated a total of 184 work orders and completed 133. The installation of the new poles along Luce Hill is almost complete, and a new three gang switch has been installed at the base of the hill. The linemen are doing the make-ready work for pulling in new conductors. The overnight windstorm in early May was discussed as well as the outage on May 30th due to a lightning arrester fail on the transmission line. Tree removal policies were discussed in detail.

Other Business

Highgate Converter Asset Purchase & Sales Agreement: NextEra has asked to speed up the process. SED anticipates signing the Purchase & Sales Agreement in mid-July, then SED can approach the regulators. VELCO has 45 days to make their decision.

Rate Case: The rate case will be filed in the coming week. SED has not had a rate increase since 2010, and actually reduced its rates by 3.5% in 2013. Miscellaneous charges are furthermore reviewed, in particular the reconnect after-hours to more sufficiently recoup the costs of sending out a lineman after the office closes. SED has the lowest miscellaneous charges within VT.

The Board scheduled the next Commissioners' meeting for Wednesday, July 18th at 8:00 a.m.

There being no further business, the meeting was adjourned at 8:44 a.m.

Respectfully Submitted,



Lily Burgess
Clerk of the Board